Accelerating Greater Opportunity

A Proposal for Collaborative Investment In the Province of New Brunswick

November 2005

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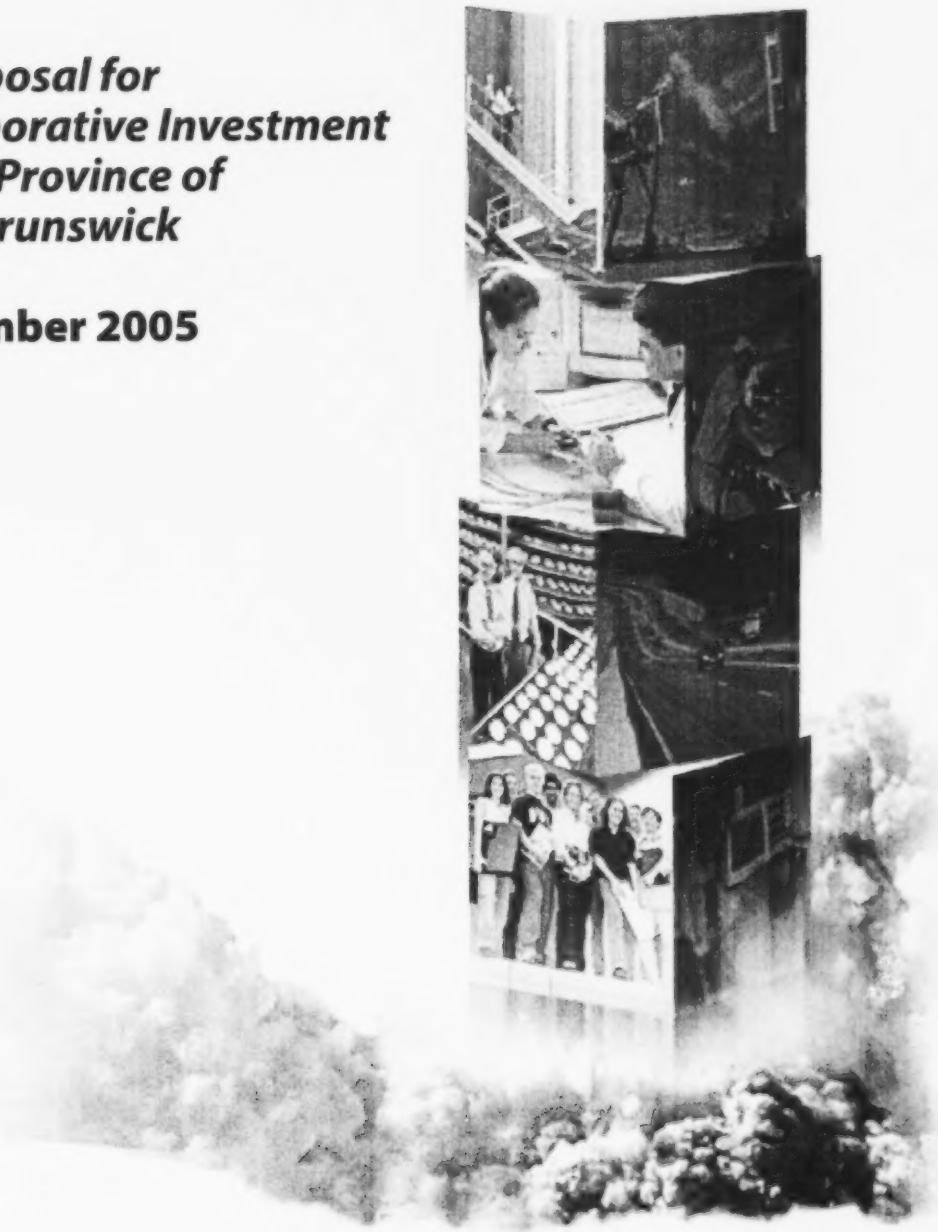

Accelerating Greater Opportunity
A Proposal For Collaborative Investment
In the Province of New Brunswick

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Introduction

Purpose of the Proposal

This proposal provides the Federal Government with a plan for investing in New Brunswick and supporting *Greater Opportunity: New Brunswick's Prosperity Plan, 2002-2012.*

Over the past several years, New Brunswick has made demonstrable progress towards creating greater opportunity for its residents and achieving measurably greater prosperity as a province. The fundamentals for longer-term growth and prosperity are increasingly in place. However, our prospects for transformational growth – growth that would allow us to reach the national average with respect to a number of key economic indicators, is limited by our ability to invest in the four key building blocks of prosperity. We refer to these building blocks as:

- Investing in People
- Creating a Competitive Fiscal and Business Environment
- Embracing Innovation
- Building Strategic Infrastructure

Collaborative in approach, this proposal provides a number of ideas and suggestions as to how the federal and provincial governments could work together in making the scale of investments needed to further, at an accelerated pace, the progress that has been made in New Brunswick in recent years.

At the same time, investments in the areas proposed would enable the Government of Canada to fulfill its constitutional responsibility of furthering economic development to reduce disparity in opportunities as referred to in Section 36(1) of the Canadian Constitution:

> *"Without altering the legislative authority of Parliament or of the provincial legislatures, or the rights of any of them with respect to the exercise of their legislative authority, Parliament and the legislatures, together with the government of Canada and the provincial governments, are committed to*
>
> *(a) promoting equal opportunities for the well-being of Canadians;*
>
> *(b) furthering economic development to reduce disparity in opportunity; and*
>
> *(c) providing essential public services of reasonable quality to all Canadians.*

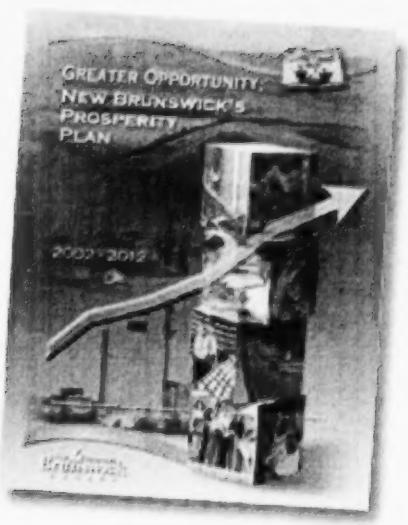
The Section 36(1) commitment is clearly separate from the federal government's responsibilities for equalization (Section 36(2)).

Critical to the success of this proposal is that it not be seen as a replacement for existing programs – it must be incremental to make a real difference in the province's capacity for fuller economic participation in the federation.

In summary, this proposal lays the foundation for a long-term strategic partnership between the Government of Canada and the Province of New Brunswick – two governments sharing the common goal of creating an economic environment in which people and enterprise in New Brunswick can prosper on a level equivalent to that existing in other provinces of Canada.

The New Brunswick Vision

The Government of New Brunswick is committed to building and preserving a prosperous, united New Brunswick within a prosperous and united Canada. We believe that Canada will be strong when every region of Canada is strong.



We also recognize that to be prosperous, we must make deliberate choices – policy choices, fiscal choices and social choices. In New Brunswick, we have laid out a path to long-term economic prosperity in our ten-year economic growth agenda *Greater Opportunity: New Brunswick's Prosperity Plan, 2002-2012*. In it, we articulate our belief in a balanced approach that combines greater economic success with greater social progress; an approach that involves strong fiscal discipline in our spending to enable investments in clear priorities: health care, education and jobs.

The choices we have made have resulted in progress, but, as history would have it, our key economic indicators related to gross domestic product (GDP), income, employment, productivity and industrial diversification have historically come up short of national averages. Moving quickly to overcome this position and close gaps with the rest of Canada requires a new magnitude of sustained investment and effort. As a province, we are constrained in our ability to do this on our own.

A collaborative investment approach between our two governments would allow us to make the history altering investments required to close what we have come to refer to as the "prosperity gaps" by accelerating our economic and social progress. The return on these investments would be demonstrated by New Brunswick's reduced

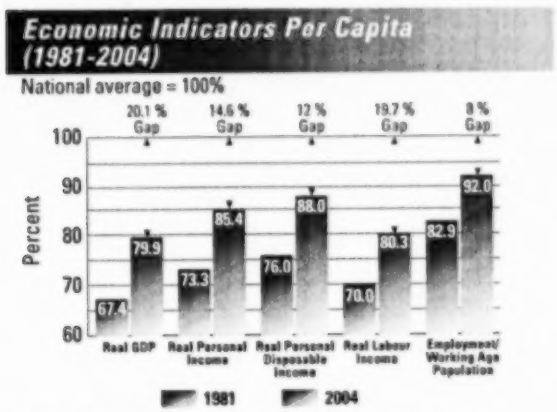
dependency on equalization in the future and by a higher standard of living and quality of life for Canadians living in New Brunswick.

Challenges To Prosperity

Today's economy is global in reach, more and more knowledge-based, and driven by innovation. Our competitive challenge is to set out a plan that allows us to meet these realities from a New Brunswick perspective.

Greater Opportunity: New Brunswick's Prosperity Plan, 2002-2012

While New Brunswick has made real progress towards creating greater opportunity for its residents and achieving greater prosperity as a province over the past several years, we recognize that much work remains to be done. In fact, there is growing consensus amongst federal and provincial policy makers that to close the "gaps" with respect to GDP, income, employment, etc., we need a common, long-term plan that addresses the existing structural limitations of the province's economy.



Source: Statistics Canada Provincial Economic Accounts, April 2005

New Brunswick's lower income per capita relative to the Canadian average can be explained by two factors: 1) a lower employment rate; and 2) lower labour productivity. New Brunswick's labour productivity, as defined by real GDP per hour worked, was approximately 82 per cent of the national average in 2004. In the manufacturing sector (the sector where productivity statistics are most reliable), productivity was somewhat better at 87 of the national average.

One of the more significant factors contributing to our lower productivity is a lack of innovation. While some specific sectors have

been progressive in their adoption of innovations, overall, firms in New Brunswick, and in fact in the Atlantic region, have tended to exhibit relatively lower levels of innovative activity. A recent Statistics Canada survey revealed that Atlantic Canada manufacturers ranked near the bottom of the list in terms of new product and process innovation. Fiscal challenges and a limited pool of managerial leadership ranked high among reported barriers facing manufacturing firms. History provides further insight in this regard.

The structure of Canada's economy today has been significantly impacted by historic federal transportation, tariff, trade and monetary policies as well as World War II strategic investment decisions that laid the foundation for the geographic concentration of Canada's manufacturing and advanced-technology companies in the Montréal-Windsor corridor. These policies have had a lasting impact on the evolution of Atlantic Canada's economic structure in terms of its prevailing industry sectors, research and development, transportation and educational infrastructure, and trade and demographic patterns. In effect, they have led to structural shackles on our ability to benefit from economic opportunities. The consequences for New Brunswick, and all of Atlantic Canada, have historically manifested in lagging economic growth, slower gains in standard of living and limited provincial fiscal capacity to invest in change.

As articulated by Donald Savoie in *Pulling Against Gravity*:

> *"...Economic history matters. Indeed in economic development it is hardly possible to understand the present without drawing on history. The implementation of Sir John A. Macdonald's National Policy benefited the economic interests of central Canada a great deal and was severely detrimental to the interests of the Maritimes. History mattered when C.D. Howe and his officials decided not to locate a single crown corporation in the Maritimes in support of the war effort. These crown corporations later gave rise to an important component of Canada's manufacturing sector. History also mattered when the federal government put in place a post-war industrial development strategy geared toward assisting wartime production facilities make the transition to peacetime production."*

Critical to our economic success is our ability to fully participate in the growth of the global knowledge economy. While disadvantaged in the past by pure physical distance from the large Ontario and Québec markets for manufactured and primary goods, technology now allows us to be connected and compete globally in the knowledge-based economy.

In Canada, the growth of the knowledge economy has in large part stemmed from the development of knowledge and technologies developed in large urban universities and federal research institutions

that benefit from close relationships with Canadian manufacturing, science and technology companies, venture capital groups, financial institutions and other private investors. Equally important in fuelling this growth has been the availability of a pool of highly skilled labour and a strong educational infrastructure. These building blocks for growth in the knowledge-based economy have become fully integrated over the past ten years into federal government strategies and programs designed to push Canada to the international economic forefront.

The federal government has invested in the development of Canada's knowledge-based economy through its various research granting councils (NSERC, SSHRC, CIHR) and programs including the Canadian Foundation for Innovation, Technology Partnerships Canada, and the Industrial Research Assistance Program. To date, these initiatives have not significantly benefited New Brunswick.

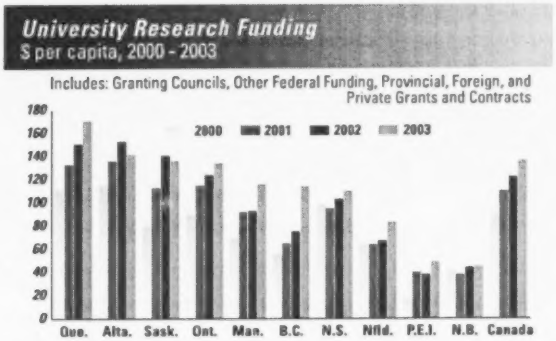
In summary, past policies made at the federal level have contributed to a number of critical structural limitations that pose challenges to our ability to better participate in and contribute to the national economy. Challenges related to innovation, education and training, demographics, and the urban – rural nature of our province, are further addressed below.

The Innovation Challenge

Quite simply, we need to be innovative to prosper. Innovation makes us more productive and more competitive, and that means jobs and growth. Successful economies today are ones that encourage innovation by investing in Research and Development (R&D), technology adoption, and commercialization.

While New Brunswick has made a strong commitment to support R&D initiatives, our ability to do this on a significant scale is impeded not only by our fiscal capacity, but also in part by the basic structure of our economy. Many small and medium-size enterprises are not able to innovate or engage in R&D due to their size and financial limitations. This in turn has increased the relative importance of our educational and special research institutions in performing R&D, as well as the critical need to forge the collaborative linkages that would result in more successful commercialization of our institutional research efforts. Yet, these institutions have suffered from the tendency for research funds to gravitate toward larger centres with proven track records in targeted fields of interest.

As the chart below indicates, New Brunswick continues to have low per capita funding for university research, which hampers our ability to build critical R&D mass and attract needed new researchers and investments.

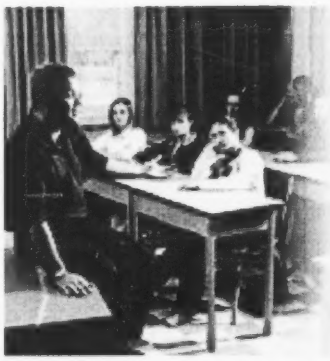


Source: Research Infosource

Over time this has led to an 'innovation gap' that we must close. Closing the innovation gap is essential because innovation is a key driver of productivity gains and long-term economic growth. Innovation is a never-ending process that must become entrenched in our culture.

Priorities: private sector R&D and innovation; university research critical mass; cluster development; investment attraction and business development support.

The Education and Training Challenge



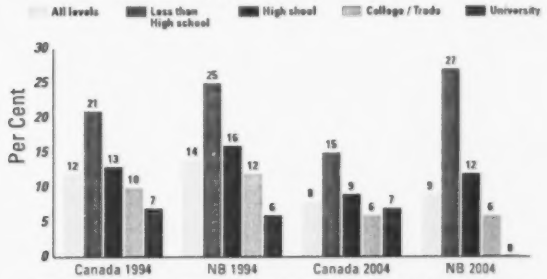
In today's information age, an educated, well-trained, skilled, and adaptable labour force is prerequisite to growing existing businesses and attracting new investment. Education and training are fundamental ingredients to closing the innovation gap, growing the economy and achieving prosperity.

Despite recent progress and record provincial investments in K-12 and post-secondary education over the past six years, there is more work to be done to improve educational outcomes for our children and students. International test scores for math and science have placed New Brunswick behind other jurisdictions. At the post-secondary level, participation across all age groups is lower than the national average. We have a significant adult literacy challenge with 17 per cent of New Brunswickers over the age of 25 having less than a Grade 9 education, and 29.5 per cent per cent of the population having less than Grade 12. Close to 60 per cent of New Brunswick's population over the age of 16 have low literacy skills, identified as Levels 1 and 2 by the International Adult Literacy Survey - (IALS, 1994). This is particularly significant because people at these literacy levels have difficulty learning new job skills requiring a higher level of literacy. In fact, according to IALS data, individuals with Level 1 skills appear to exert a strong negative influence on economic growth.

As the following charts illustrate, education does make a difference in labour market outcomes.

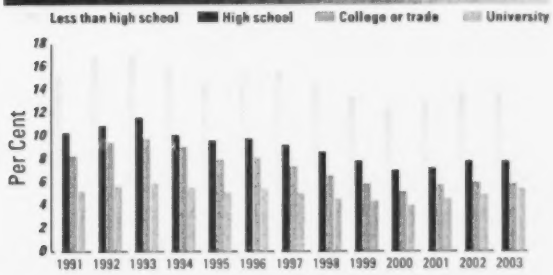
Unemployment Rates of 25 to 29 year olds by educational attainment

Canada and New Brunswick, 1994 and 2004



Source: Labour Force Survey, Statistics Canada.Catalog no. 81-582-XIE. Ottawa Statistics Canada. 2003. Education indicators in Canada: Report of the Pan-Canadian Education Indicators Program.
This table was updated June 29, 2005.

Unemployment rate by level of eductaion, all ages, Canada, 1991 to 2003

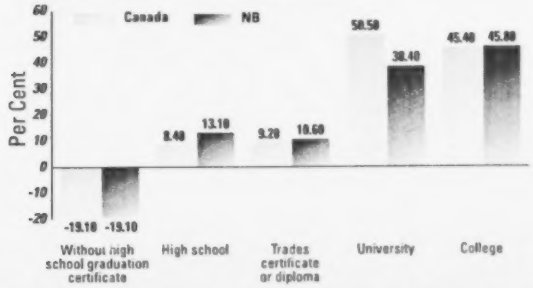


Source: Labour Force Survey, Statistics Canada.
Statistics Canada. 2003. Education indicators in Canada: Report of the Pan-Canadian Education Indicators Program. Catalogue no. 81-582-XIE. Ottawa
This table was updated June 29, 2005.

While census data indicates that an increasing number of New Brunswickers hold university degrees, the province's universities predominantly specialize in undergraduate degrees. Many New Brunswickers therefore have little option but to migrate out of the province, and indeed the region, if they wish to pursue an advanced degree. This impacts our talent pool as many do not return.

Level of Educational Attainment for the Age Group 25 to 64

Percentage Change for both Sexes (1991 to 2001)



Source: Labour Force Survey, Statistics Canada.Catalogue no. 81-582-XIE. Ottawa Statistics Canada. 2003. Education indicators in Canada: Report of the Pan-Canadian Education Indicators Program.
This table was updated June 29, 2005.

A recent study by the Atlantic Provinces Economic Ccouncil (APEC) indicates that:

> *The disproportionate number of smaller universities in the province correlates with smaller individual pools of researchers and a limited number of postgraduate programs, especially at the doctoral and post-doctoral levels at which much research is conducted. This constrains the existing capacity for research at many of our universities and, by limiting the base on which research capacity can be built, is another factor restricting future growth in R&D activity (Our University Students: The Key to Atlantic Canada's Future).*

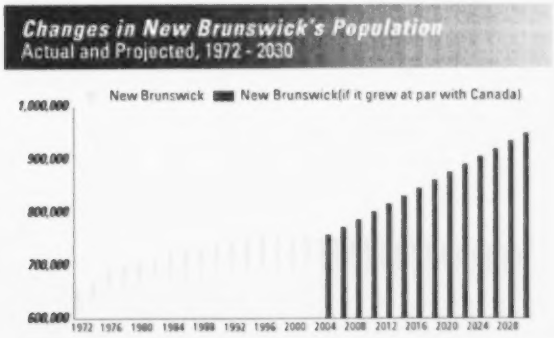
While we are working to reverse these trends we would like to be able to move more quickly to ensure that New Brunswick has the skilled workers required to fully participate in the global economy. In New Brunswick, addressing these issues includes ensuring that training institutions have the infrastructure and human resources capacity to respond to the life-long training needs of New Brunswickers in a manner reflecting the labour market requirements of a growing economy.

> **Priorities: post-secondary graduation increases; adult literacy improvement; university and community college infrastructure modernization; grade school learning and technology application.**

The Demographic Challenge

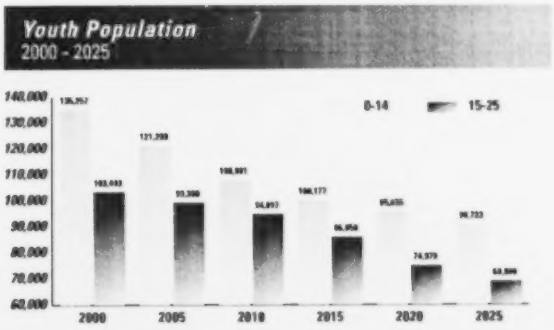
In New Brunswick we have a skills imbalance and shortage in certain trades and professions, due in part to an aging workforce. A zero-growth, aging population with a smaller youth cohort than the national average and historically low levels of immigration, affect New Brunswick's ability to grow and close the prosperity gap with the rest

of Canada. The chart below illustrates the difference in population growth patterns between New Brunswick and Canada:



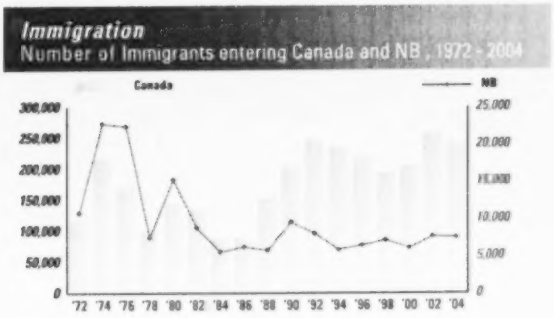
Source: Statistics Canada, Demography Division, September 28, 2005

In absolute numbers, the projected youth population is expected to decline in the years ahead. This "demographic crunch" puts additional pressure on the working age population to contribute more just to maintain existing levels of public services.



Source: Statistics Canada, Demography Division

It is preferable that New Brunswick's population grows to support the current and future economic, financial, and social needs of the people who live here. To grow our population we need to attract and retain more immigrants. Only one in 33 New Brunswickers is an immigrant compared to one in five Canadians. The chart below illustrates that New Brunswick receives a relatively small share of the total number of immigrants entering Canada as a whole.



Source: Citizenship and Immigration Canada

Priorities: increased immigration; more youth in-migration and retention; skilled workers repatriation.

The Urban – Rural Challenge

New Brunswick is the second-most rural province in Canada. Rural areas have historically tended to rely heavily on less productive seasonal primary industries. Rural New Brunswick continues to grow at a slower rate economically than the rest of the province. In 2004, the unemployment rate in Moncton was six per cent (better than the national average) while it was 15.6 per cent in the Northeast Economic Region. At the same time, important critical mass in key economic clusters such as information and communications technologies, advanced manufacturing, life sciences and value-added natural resources has taken root in our major urban centres. This is making these clusters and cities more competitive and generating greater economic stability and opportunity. Economic development solutions need to recognize the unique realities of both urban and rural New Brunswick, with targeted initiatives aimed at building on existing strengths and realistic future opportunities.

Priorities: regional and community economic development; technology connectedness; roads and highway infrastructure.

Planning for Success

In 2002, the Government of New Brunswick launched its ten-year economic development framework ***Greater Opportunity: New Brunswick's Prosperity Plan, 2002-2012.*** We knew that to be successful in achieving prosperity, we had to plan for it. The plan had to be based on clear goals and focused priorities. It would require forging strategic partnerships to coordinate the efforts of governments, business, labour, communities, universities and other learning and research institutions to build a critical mass of shared vision and united movement toward our goals and priorities. And finally, we knew that as government, we had to manage smarter so the burden of deficits and debt would not be passed on through higher taxes, and by putting in place the right framework policies that enable the private sector, communities and learning institutions to invest and grow.

We are firmly committed to following ***Greater Opportunity: New Brunswick's Prosperity Plan, 2002-2012***.

Progress to Date

The Prosperity Plan also set out specific Prosperity Targets and Competitiveness Targets to measure our progress. We purposely aimed high with the philosophy that it is better to reach high and risk falling short than not to stretch at all.

Ten-Year Prosperity Targets

Targets	Indicates	Update for 2004
Economic Prosperity		
NB will increase its real GDP per capita (expressed in relation to national average) by 10 percentage points to reach or exceed 85% of Canadian average by 2012.	NB has a strong, growing economy.	Increased from 75.8% of national average in 2000 to 79.9% in 2004.
Employment Prosperity		
NB will increase its "employment per working age population" ratio (expressed in relation to national average) by 5 percentage points to reach or exceed 95% of Canadian average by 2012.	More job opportunities are available to New Brunswickers.	Increased from 55.4% in 2000 to 57.7% in 2004, rising from 90.4% of national average in 2000 to 92% in 2004.
Income Prosperity		
NB will increase its real personal income per capita (expressed in relation to national average) by 7 percentage points to reach or exceed 93% of Canadian average by 2012.	New Brunswickers have an improved standard of living.	Increased from 85.3% of national average in 2000 to 85.4% in 2004.

TEN-YEAR COMPETITIVENESS TARGETS

Targets	Indicates	Progress to Date
Innovation		
NB will join the top four provinces in R&D expenditures per capita by 2012.	NB has a stronger innovation capacity.	Gross Expenditures on R&D were $245 per capita in 2002, up from $205 in 2001, moving NB from 10th to ninth place amongst provinces
Productivity		
NB will improve its labour productivity (expressed in relation to national average) by 10 percentage points to reach or exceed 90% of Canadian average by 2012.	NB has a highly skilled and productive workforce.	Increased from 80.7% in 2001 to 82.3 % in 2004.
Export Orientation		
NB will increase its percentage of exporting firms from 45 to 55%, and the proportion of its non-resource-based exports from 29 to 40% of exports by 2012.	NB has a more diversified and export-oriented economy.	Product exports grew to a record level of $9.4 billion in 2004. Exporting firms increased from 45% in 2001 to 49% in 2004. Non-resource exports have increased by $90 million per year between 2001 and 2004. The proportion of non-resource exports to non-petroleum exports increased from 32% in 2001 to 35% in 2004.*

* Petroleum exports, normally included in the measurement of resource-based exports, experienced dramatic growth and are removed from the comparison to provide a more accurate representation of growth in non-resource product exports.

New Brunswick has been making real economic progress. The fundamentals for longer-term growth and prosperity are increasingly in place.

Economic Growth

- From 1999 to 2004, New Brunswick had the third-best average annual growth in GDP of all the provinces, at 3.3%. This was only slightly behind the Canadian average of 3.5%. Only Newfoundland and Labrador and Ontario were ahead of us.
- From 2002 to 2004, New Brunswick's average annual GDP growth was second only to Newfoundland and Labrador.

Jobs

- 25,900 more New Brunswickers werw working in August 2005, than six years ago (June, 1999).
- There are 26.8% fewer individuals on social assistance today than in 1999.

Investment

- Capital investment by government and the private sector achieved the highest level on record in 2004, at $4.3 billion, a 7.4% increase over 2003.

Earnings

- Average weekly earnings have grown 9.3% over the past five years, more than the national rate of 7.6%.

Net Debt

- Only two provinces, New Brunswick and Alberta, reduced their net debt between 2000 and 2005.
- Net debt, as a percentage of GDP, will decline to 28% this year, its lowest level since 1991-1992.
- Debt service costs, as a percentage of total spending, will decline to 9.8% this year, their lowest level since 1982-1983.

Our public finances are stronger with balanced budgets and net debt reduction. Our taxes are lower for people and business – small business taxes are the best in Canada, corporate income taxes are the fourth lowest, and compared to 1999, 43,000 more New Brunswickers pay no provincial income taxes. This is creating a more positive investment climate that encourages success rather than simply subsidizing effort.

Our education system has been restructured through the creation of District Education Co uncils and there is more investment in schools along with a clear, targeted focus on early literacy in Kindergarten Grade 3 through the *Quality Learning Agenda*. Our post-secondary education system is receiving new highs in financial transfers and infrastructure investment year after year.

Our R&D and innovation sector is more fully supported through the *New Brunswick Innovation Agenda*, the New Brunswick Innovation Foundation, and an enhanced provincial R&D tax credit.

In addition to our long-term strategic plan for prosperity, we are implementing complementary plans with respect to education, innovation, health care, energy and culture. Each has a clear focus with specific goals and targets to ensure an integrated effort and measurable progress.

We are forging ahead in New Brunswick. This proposal is motivated by the desire to expedite progress toward our prosperity targets – targets that require transformational growth – growth that requires investment of a scope that is beyond the immediate fiscal capacity of the province on its own.

A Role for the Federal Government

It is important to New Brunswickers that the Government of Canada be a collaborative partner with the province in helping achieve our prosperity goals. It has a much greater fiscal capacity to raise revenue that can support economic growth and social progress in the province. Its national mandate for regional fairness and equity gives it an opportunity to play an investment role in a province like New Brunswick – a role it has played most recently with several other provinces.

A policy consensus is emerging regarding the need for strategic investments targeted at reducing structural barriers in order to fully benefit from the increased economic opportunities of a growing global knowledge-based economy. Federal policy priorities as articulated in *Opportunity for All, Moving Canada Forward, Achieving Excellence, Canada's Innovation Strategy, Knowledge Matters: Skills and Learning for Canadians,* and recent federal budgets, express a desired objective that all Canadians benefit from a knowledge-based economy. The Honourable Andy Scott, in his recent draft document *People Building New Brunswick*, proposes a cooperative investment plan specific to New Brunswick.

The federal government has identified the need for increased public and private sector investment in key areas in order for all regions of Canada to prosper and grow in the global economy, including: R&D and commercialization opportunities, strategic infrastructure such as broadband, and developing to the fullest capacity the skills potential, talents and ideas of all Canadians. The federal Liberal Atlantic Caucus in their policy papers *Catching Tomorrow's Wave* and most recently *Riding the Crest*, further developed policies in relation to the Atlantic region. Atlantic premiers, businesses and academic leaders support these priority areas for future investment.

There is a need to build on the past several decades of successful federal-provincial collaborations on regional economic development.

Products of Successful Collaboration

In recent years, the federal government has made significant collaborative investments with the Province of New Brunswick. Examples of such investments include:

- The Trans-Canada Highway and Border Infrastructure
- The National Research Council e-Commerce Institute
- The Broadband Agreement
- The Residential Rehabilitation Assistance Program (Housing)
- The Supporting Community Partnership Initiative (Homelessness)
- Promotion of Official Languages

At the same time, New Brunswick has benefited from bilateral agreements on municipal and environmental infrastructure, early childhood development, etc., and continues to negotiate agreements with respect to early learning and child care, the sharing of federal gas taxes, an industry stabilization program for aquaculture, and official languages programming.

As well, the federal government continues to make investments from their own programming areas in the fields of innovation, university research chairs, business development and so forth.

The people of New Brunswick believe in a collaborative, cooperative form of federalism. The prosperity issues of today and tomorrow call for governments to work together on behalf of all New Brunswickers. Our ability to work together at both levels of government will help shape our destiny as a province and our contribution as Canadians.

Moving Forward with Guiding Principles

A framework for collaborative investments in New Brunswick's prosperity and economic transformation should include a number of guiding principles.

First, investment should be strategic and targeted to where it can make the most difference and have the most positive effect for the long-term future of the province.

Second, the federal share of investment should exceed traditional cost-shared formulas that limit the province's own ability to partner and invest given our more limited resources.

Third, in-kind provincial investments should be recognized as part of our contribution, especially in areas of exclusive provincial jurisdiction.

Fourth, New Brunswick's strong rural tradition and the reality of our vibrant small urban centres must be taken into account in our investment priorities.

Fifth, New Brunswick's status as Canada's only officially bilingual province should be more fully recognized and supported as a contributor to Canadian unity.

Ultimately, federal – provincial collaboration must be based on:

- **Flexibility** in program design and implementation to take into account New Brunswick's unique circumstances, strengths and challenges.
- **Efficiency** in administration and delivery of programming.
- **Respect** for each other's jurisdictional responsibilities and obligations.
- **Open accountability** to our respective taxpayers, citizens, and residents.

A Proposal for Collaborative Investment

Accelerating Greater Opportunity

The Province of New Brunswick proposes to enter into a six-year, $1.875 billion joint federal -provincial investment commitment called *Accelerating Greater Opportunity.* While overall cost sharing would be 80/20 (federal/provincial), individual elements and investments could have different ratios and values depending on circumstances and need.

This joint investment proposal recognizes that the reality of faster economic transformation in New Brunswick requires a significant set of new federal and provincial investments. If we are to truly achieve our goals, to break out of established patterns, we must be prepared to invest more than before, over a longer period than before.

This investment proposal is aligned with the Building Blocks and Implementation Strategies articulated in ***Greater Opportunity: New Brunswick's Prosperity Plan 2002-2012.***

I. The Building Blocks

(i) Investing in People

Progress to Date

Our notion of investing in people begins at early childhood and continues on through Kindergarten - Grade 12, Post-secondary, and Lifelong Learning. In the first three years of implementation, efforts have been directed toward:

- Early Childhood Development Agenda - $33.4 million cumulative investment addressing childcare, early language development, prenatal care and other programs.
- Kindergarten to Grade 12 - $2.15 billion over three years, includes Quality Learning Agenda initiatives such as hiring 325 teachers, focus on early literacy, math, science, phys-ed and language upgrading. Released: Believing in Achieving, the first annual status report on key achievement indicators for Kindergarten to Grade 12.
- NB tuition tax cash back incentive - When fully implemented, will represent an annual investment of over $60 million.

- Canada / NB Administrative Integration Agreement - Simplifies the disbursement and repayment of student financial assistance.
- Provincial funding for universities - Increased by 24 per cent or $38.3 million since 1999 with dedicated funding increases of three percent in 2006-2007 and 3.4 percent in 2007-2008.
- NB Opportunities Fund - Created fund and increased bursaries for students in need by $5.1 million.
- New Brunswick Community College - Annual investment of $2 million in capital infrastructure.
- University Infrastructure Trust Fund - $35 million invested in infrastructure.
- Skills Training and Retraining - Labour Force Profiles completed for 15 Community Economic Development Agencies. Trades training reintroduced at a number of high schools and community colleges.
- Recruitment, Retention and Repatriation - 1,800 post-secondary students/graduates assisted in gaining job experience/ employment. 382 New Brunswickers repatriated. 640 Provincial Nominee (immigrant) applications received.
- Reducing Barriers to Work - Minimum wage increased from $5.90 to $6.30 per hour. Minimum reporting pay introduced. Focused interventions assist disabled and aboriginal workers.
- Aboriginal Employment and Service Initiative - Workplan developed and approved by all partners.
- Ministerial Employ-Ability Action Group for Persons with Disabilities - Established and action plan to be released fall 2005.

Proposed Investment Opportunities

The focus here is human resources, particularly with respect to education, skills training, literacy, youth and immigration. We need to continue to invest in people at all stages of the learning continuum, in keeping our youth here in New Brunswick and in attracting significantly more immigrants to our province. We need to encourage greater economic opportunity for people by removing the disincentives to work and facilitating greater participation in the workforce.

New investments would aim at: improving educational outcomes in our schools by applying new technologies; encouraging young post-secondary graduates to remain in New Brunswick and work; upgrading the skills levels and literacy abilities of working age adults so they can participate more fully in the new economy; and increasing the number of immigrants to the province, particularly international students, by attracting more provincial nominees and encouraging more durable settlement patterns including in rural New Brunswick.

Investment opportunities include:

Increased Immigration to New Brunswick - New Brunswick needs to dramatically increase its share of immigrants to help replace natural population declines and out migration. Increasing immigration to New Brunswick must involve a collaborative effort of all three levels of government. To increase New Brunswick's share of Canadian immigrants, New Brunswick must become a more obvious initial destination for newcomers to Canada, a place where newcomers can find meaningful work, are made welcome in the community and supported by local multicultural associations and networks.

Collaborative steps already taken with the federal government to increase immigration to the province include investing more in the Provincial Nominee Program, allowing international students to stay and find work for up to two years in the province after graduation, as well as allowing them to work off-campus while studying.

Settlement support, however, is an area in which federal investment would be welcomed as New Brunswick currently receives $1,400 per immigrant while Ontario receives $3,400 and Quebec receives approximately $4,000.

An effort to increase the number of immigrants to New Brunswick should begin with a Canada-New Brunswick Accord on Immigration – a bilateral transfer agreement allowed under the *Immigration and Refugee Protection Act*, which would include the following elements:

- a joint federal/provincial Immigration Secretariat that could pool resources, share information and work collaboratively to attract and settle new immigrants to the province;
- a single portal entry process to fast-track new immigrants;
- building capacity in both urban and rural communities to smooth the transition of new immigrants;
- encouraging private sector participation in the hiring of new immigrants through established and new programming;
- recognizing foreign credentials and prior learning assessment recognition (PLAR) where appropriate to assist in recruiting immigrants to fill needed professional vacancies;
- expanding the province's recognized second language training capacity to teach English and French to new immigrants not just for settlement in New Brunswick, but for Canada;
- ensuring rural communities in New Brunswick are able to participate in new immigration programming with community-based partnerships;
- attracting more international students to come to New Brunswick and study at one of our universities or community colleges, and

- working more closely with post-secondary institutions to make this a reality.

Transitioning New Post Secondary Graduates into the Workplace - Encouraging more young people to pursue post-secondary education and stay and work in New Brunswick is an investment in our future. Toward this end, the Province is providing a Tuition Tax Cash Back Credit equal to 50 per cent of eligible tuition to individuals who have attended approved educational institutions and are working and paying New Brunswick income tax. The maximum lifetime tuition tax credit is $10,000. The estimated cumulative cost to the Province from 2006 to 2012 is approximately $118 million.

Building on the Province's new Tuition Tax Cash Back initiative, assistance could be provided to help new post-secondary graduates get that all-important first job in New Brunswick.

This could be done by enhancing current apprenticeship programs, such as New Brunswick's Research Assistant and Research Technician programs, to include graduates from other post-secondary programs at various institutions, including private sector institutions and businesses. Alternatively, businesses could be eligible for a targeted wage supplement initiative to offset initial employer costs associated with integrating recently graduated staff into a specific industry. Technology apprenticeships would be one example. Targeted at technology driven, new economy companies involved in sectors such as animation and bio-technology, this initiative could help reduce the financial burden of transition training, thereby fostering growth of this strategic sector while providing first time employment to highly qualified youth.

Transitioning Adult Learners to the New Economy Through Workplace Skills and Literacy Training - The main thrust of this initiative would be to extend literacy training and skills development programming to those already in the workforce. Many workers, not just those on Employment Insurance (EI), need additional literacy skills and upgraded working skills to maintain a strong attachment to the workforce and to succeed in finding and maintaining meaningful employment. One measure we are currently working on involves revamping New Brunswick's community-based literacy programming to increase the quality of services provided and focus more on "education to employment". Investment assistance would allow us to deliver a more rounded set of integrated services in online learning (through Community Access Centres), Prior Learning and Assessment, workplace essential skills training, and workforce literacy training.

Workplace Training for Small and Medium-sized Enterprises (SMEs) - SMEs employ most New Brunswickers. Finding and maintaining skilled workers is essential to their ongoing growth.

Investment assistance in this regard would greater enable SMEs to provide the targeted, on-the-job workplace training and retraining that would help keep them competitive.

Encouraging Self-Reliance and Economic Opportunity - New Brunswick's growth and development requires that all individuals, including those in traditionally marginalized groups who face social and economic barriers to achieving greater opportunity, have the opportunity for workforce participation. Reducing barriers to work occurs by developing strategies to address the range of barriers people face.

Toward this end, there is opportunity to invest in a major new thrust around two objectives: first, encouraging workforce participation and attachment for those able to do so by reducing the cycle of social assistance (SA)/Employment Insurance dependency and recidivism through enhanced, proactive measures of training and employment development; and second, ensuring that those individuals acquiring an initial workforce attachment or an initial social assistance or EI benefit are supported and encouraged to remain in the workforce or rejoin it as quickly as possible to encourage self-reliance and economic opportunity.

This initiative would target individuals with the potential to return as early as possible to the labour market. First time social assistance recipients with a labour force attachment, transferable skills, and good health would receive transitional financial assistance rather than standard SA benefits aimed at finding them work, skills training, employment counselling, or other interventions to avoid a social assistance dependency. Individuals with this potential would be identified through intensive case management with interventions tailored to their specific needs and circumstances.

Additionally, participants would receive post-employment support upon returning to the workforce. The aim would be to ensure that an initial or renewed attachment to the labour force becomes deepened and strengthened. Measures could include extended case management and counselling, financial support to erase transitional barriers to maintaining employment, and other job retention supports.

Such a unique federal-provincial partnership could serve as a new people-centred model for the rest of the country.

Guaranteed Annual Income (Research) - In the domain of income security, we would reiterate New Brunswick's desire to pursue with the Government of Canada a research project aimed at helping individuals to overcome poverty. While interest in this subject has been expressed on an intermittent basis by both levels of government, appropriate

resources have yet to be mobilized and dedicated. We recognize the complexities involved in implementing a full guaranteed annual income. We would thus suggest that, as a starting point, federal participation could take the form of a commitment to assess ways in which the income support programs of both levels of government could be streamlined to remove overlap and duplication and provide better service to New Brunswickers.

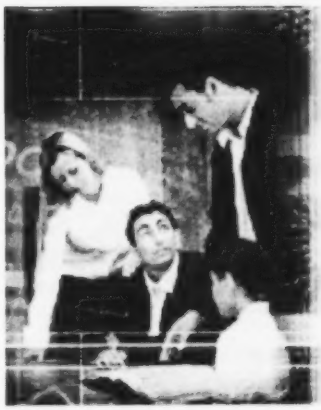
Affordable Housing - There has already been some progress in recent years in creating new and sustainable social public housing in the province of New Brunswick. This is thanks in part to the partnership between with the Government of Canada through the Canada-New Brunswick Affordable Housing Agreement, phases I and II. As most experts would agree, home ownership and the affordability of accommodations are key indicators of a prosperous and caring society. The opportunity for accelerating Greater Opportunity in this instance would be an improvement to our public housing infrastructure. While it is the desire of the province to renew and renovate our existing housing stock, limited funds and a still significant demand for new units makes renewal a very slow process. Key investment areas could include supportive housing, second stage housing for victims of family violence, retrofitting existing units, creating new public housing communities, and modernization of rural and native rental units. Of course, there could exist an opportunity to extend the current Affordable Housing Agreement into a third phase as well.

Youth, Technology and Learning (Notebook Rollout) - The computer has transformed almost every facet of society and the digital economy is demanding workers proficient in this new language of commerce. New Brunswick wants to continue to be ahead of this curve in the education of our youth by providing students with their own personal computer in the classroom and by transforming the education paradigm to integrate learning with digital technology.

Our initial pilot program with a sample of Grade 7 and 8 classes is already demonstrating fundamental shifts in learning behaviour with higher student engagement and achievement than anticipated. Investment assistance would allow us to roll-out the province's innovative Dedicated Notebook Computer Program to benefit tens of thousande of students. Smaller, rural schools would have access to higher quality educational materials, special needs children would be advantaged with more effective integration, and it could improve learning for First Nations students.

(ii) Creating a Competitive Fiscal and Business Environment

Progress to Date



A strong, positive business environment is a necessary foundation for attracting new job-creating investment to New Brunswick and encouraging growth of firms within our province. Our efforts to date have been directed toward strong financial management (balancing the budget, reducing net debt), lowering taxes, and reducing government red tape. Highlights of progress made include:

- Personal income taxes - Single filers earn $12,713 and families earn $20,324 in 2005 without paying provincial income tax. Personal income taxes lowered at all income levels.
- Small business corporate income taxes - Lowered the small business rate from six per cent to two per cent (the lowest in Canada); reducing to one per cent by 2007.
- Small business income threshold - Raised from $200,000 to $450,000; increasing to $500,000 by 2007 (the highest in Canada).
- General corporate income taxes - Rate lowered from 17 per cent to 13 per cent (fourth lowest in Canada.)
- Balanced budgets - In 2003-2004 became first NB government to meet criteria of the *Balanced Budget Act* over designated four-year period with cumulative surplus for balanced budget purposes of $247.2 million. Balanced budget expected for 2005-2006.
- Net debt - Cumulative reduction from 2000-2001 to 2003-2004: $109.2 million. Net debt-to-GDP ratio expected to fall for sixth consecutive year in 2005-2006 (lowest level since 1991-1992).
- Red tape - Implemented 32 of 37 recommendations of the Red Tape Reduction Committee. Web-based Enhanced Directory of Services launched to provide user-friendly access to government programs, regulations, fees and services.
- Property tax relief - For non-profit organizations providing low-income housing and for owners of designated heritage properties undertaking approved restorations.
- Taxpayer Protection Act - Enacted to help maintain a lower tax burden and increase accountability to the people of New Brunswick.

Proposed Investment Opportunities

To further New Brunswick's growing competitive tax position, potential areas for federal participation could include:

Tax Free Low Income Threshold - New Brunswick has complemented a series of increases in the minimum wage with an increase in the threshold at which low-income earners begin to pay provincial income

tax. These initiatives contribute to our efforts under the banner of "Reducing Barriers to Work" by addressing the disincentive for labour force participation by people at the low end of the income scale. Federal participation could take the form of matching the province's low income tax threshold thereby exempting 43,000 low income New Brunswickers from paying any federal personal income tax. Federal matching of the provincial income tax exemption would translate into an approximate savings of $730 and $841 in federal income tax for low-income individuals and families earning $12,713 and $20,324 respectively.

Competitive Taxes - As part of the overall investment environment, levels of taxation (capital taxes, property taxes, income taxes, etc.) impact New Brunswick's ability to grow and prosper in a global economy, yet any changes we make must be made gradually in a fiscally responsible manner. We have struck out on a journey to reduce our corporate income tax rates; the general provincial rate is now down to 13 per cent, and we would like to lower it further. We would like to reduce the 0.3 per cent large corporation capital tax, and reduce the provincial property taxes on business. The federal government could assist New Brunswick by assuming a share of the loss to New Brunswick's revenue stream over the next six years

(iii) Embracing Innovation

Progress to Date

Innovation is a key factor in achieving international competitiveness. Through innovation, ideas and knowledge are turned into competitive products and services and productivity improvements are gained. Highlights of our efforts to embrace innovation have included:

- R&D - The New Brunswick Innovation Agenda was released. A $25 million Innovation Fund was created. A $35 million University Infrastructure Program was introduced to invest in teaching and research capacity.
- Technology Adoption and Commercialization - $2.6 million has been invested in support of innovation, export, cluster and e-business development projects.
- Life Sciences/Bioeconomy sector strategy - Is being drafted for release in 2005.
- NBCC Campbellton - Launching Applied Research and Innovation Service at Woodworking Centre of Excellence.
- Coastal Zone Research Institute (UdeM Shippagan) - Officially opened in 2005 and an aggressive research agenda is being developed.
- $30 Million Total Development Fund - Initiatives have focused on advanced mineral exploration ($2.5 million program for

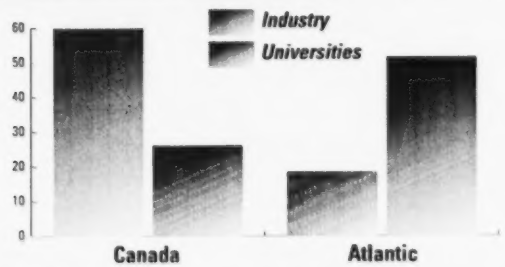
Bathurst Camp), innovation and resource management in fish and agriculture, wood fibre supply and the Sustainable Forestry Initiative (all licensees/sub-licensees now certified). The Tourism consumer website has been improved.

- The eNB.ca Framework - Progress has been made on all four fronts: e-government, e-business, e-learning and e-infrastructure. Service New Brunswick makes 337 forms and 104 services available on-line and offers services in partnership with 53 municipalities. The Office of e-Health has been established to coordinate an approach to e-services across Regional Health Authorities and the Department of Health and Wellness. A Common Business Identifier has been introduced and is being used by more than 45,000 businesses. The NB Opportunities Network has been launched and expanded to a fully integrated e-procurement system.

Proposed Investment Opportunities

Unlike most of Canada, basic research in New Brunswick is undertaken principally by our university sector. Despite this, a characteristic that limits an even more pro-active research agenda is that New Brunswick universities do not have the same intensity of graduate level programs as are found in other provinces. Also, as small and medium sized companies fuel most of the province's economy, the private sector's level of basic research internal to companies and investments in university research is low, and the ability to invest in larger-scale projects is limited. Many prospects that might be assisted by the Atlantic Innovation Fund or other federal programs remain unfulfilled due to lack of private sector take-up. New Brunswick's critical mass of research is thus relatively small. As Canada's top researchers tend to migrate to universities or large companies offering competitive salaries and attractive research working conditions, it is essential for New Brunswick to strengthen our competitive position in this area.

Gross Expenditures in R&D, 1998
% of Expenditures



Source: Statistics Canada

New Brunswick therefore needs to build critical mass in its R&D and innovation capacity and infrastructure, at both the university and private sector levels. We have identified in *Embracing Innovation, An Innovation Agenda for New Brunswick* four strategic clusters in which we will focus our initial efforts.

In support of these clusters, access to early-stage financing and commercialization support for small and medium-sized enterprises must be improved to allow the private sector to take on a stronger role. Important anchor investments in R&D and innovation will help bring this about. All this is essential to making a successful transition from a commodity-based, natural resource economy subject to the negative international fluctuations of prices and currency to a more knowledge-based economy built around people.

New investments would aim at each of the following areas: building R&D critical mass in targeted clusters; a commitment to a comprehensive program to enhance and develop relevant graduate programs with an overall target of doubling graduate student enrolment in New Brunswick university graduate programs by 2012; providing an automatic matching 30 per cent contribution to all national awards such as the Canada Foundation for Innovation, Genome Canada and Canada Institute for Health research; recruitment and retention of top researchers and graduate students; the development of technical and graduate programs relevant to the Province's key clusters; SME financing and commercialization; and a targeted investment attraction effort for research intensive firms capable of enhancing the R&D effort in the Province's four key clusters.

R&D Critical Mass and Cluster Development - The objective of this effort is to build in New Brunswick's existing R&D strengths so as to develop a critical mass of knowledge and R&D expertise in four strategic clusters: Knowledge Industries; Life Sciences; Advanced Manufacturing; and Value-Added Natural Resources. Building R&D critical mass in these clusters is essential to competing nationally and internationally.

New investments in these areas would be designed to significantly increase the total number of full-time researchers and increase their productivity through additional investments in equipment, as well as expand the number of highly qualified personnel through the development of new graduate and post-graduate programs strategic to the development of New Brunswick's clusters.

These large scale investments would allow our existing public and private research institutions to become more competitive with their counterparts both nationally and internationally. They would also significantly improve their ability to benefit from existing federal research and innovation funding as well as secure new partnerships

and investments with the private sector. Further, this overall increase in research and development activity would help retain existing researchers, recruit new experts and create more opportunities for New Brunswick's recent graduates who want to work or advance their studies at the Masters and PhD level in the province.

Making the leap from current R&D levels to critical mass levels is essential to our efforts to attract private sector investment in the new economy. Additionally, this heightened level of research activity is needed to help fuel the innovation continuum allowing for the commercialization of new technologies and the launching of new start-up companies in the province. The creation of these additional economic opportunities in the new economy is also a key part of our efforts to retain new graduates and highly skilled workers and to attract new immigrants to New Brunswick.

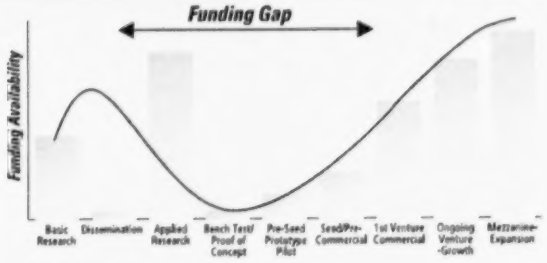
Importantly, the objective here is not simply building R&D capacity but making investments that foster strong partnerships between universities and the private sector, thereby encouraging the development of solid, sustainable research clusters.

Examples of developing world-class R&D clusters in New Brunswick include:

- **Life Sciences:** Aquaculture research through the development of a fish health and genomics focus (St. Andrews/Fundy Region cluster) and a shellfish and environment focus (Shippagan/ Acadian Peninsula cluster); potato research with a focus on genomics (St. John River Valley from Fredericton to Grand Falls); environmental monitoring and remediation research (Fredericton/ Saint John/Moncton cluster); forestry development and protection research focus (Fredericton-Edmundston based cluster); health research with a focus on genomics, proteomics and nutriceuticals (Moncton/Sackville cluster anchored by Institut de recherche Beauséjour).
- **Knowledge Industries:** Anchored by the NRC e-business Institute in Fredericton and the development of a province-wide broadband infrastructure, research in e-health (Fredericton/ Moncton/Saint John cluster); in e-learning (Moncton/Miramichi/ Bathurst); in e-business, e-security and e-government (Fredericton cluster).
- **Value-Added Natural Resources**: Agro-forestry research focus (Edmundston and Grand Falls); value-added forest products (Fredericton/Campbellton/Miramichi); nutriceuticals (Fredericton/ Moncton).
- **Advanced Manufacturing**: Opportunities related to the emerging hydrogen economy exists in Fredericton, in thin film technology around Moncton, and in niches related to the aerospace and defense industries throughout New Brunswick.

SME Financing and Commercialization - There is a "funding gap" of available resources at critical stages in the innovation process, as the diagram below indicates:

Historical Levels of Funding Availability and Activity for Innovation Economy Research and Research Outcomes



Source: Alan Preston, MIT

This is particularly true in New Brunswick where most companies are small (with less than 10 employees) making it excessively difficult to defray R&D and commercialization expenses using company cash flow.

The New Brunswick Innovation Foundation with its $25 million investment is an importnat instrument in filling this gap. A federal contribution would enable the delivery of new initiatives including: 1) a technology-driven entrepreneurial SME start-up initiative to assist companies to further develop a technology to make it market ready, or, to take first user risk in adopting a new technology; 2) an Innovation Incubation Network through the province's Research and Productivity Council (RPC) and the Community Economic Development Agencies to help provide highly skilled technical support to entrepreneurs and SMEs for marketing and business development along the commercialization continuum and supported by a program of research based forgiveable loans to help defray a broad range of R&D development costs for SMEs; 3) a first user risk mitigation program available to federal and provincial agencies as well as recognized corporations to facilitate their decision to become the first user of a technology solution developed by a New Brunswick SME; and 4) an enhanced market and trade development assistance program targeted at research intensive SMEs to ensure their products achieve early brand recognition and marketplace dominance.

(iv) Building Strategic Infrastructure

Progress to Date

Governments have a critical role in building strategic infrastructure to improve competitiveness. People must be able to travel to

access employment, goods and services. Products and services must be delivered to local, national and international markets. Communications infrastructure must be in place to allow participation in the knowledge-based economy. Secure, reliable and cost-effective energy supplies for commercial and non-commercial customers are needed to attract new investment and support economic development. Finally, public infrastructure is required to improve our quality of life and support the attraction of newcomers and new investment. Wise decisions involving the right kinds of investment in infrastructure are essential to making New Brunswick more competitive.

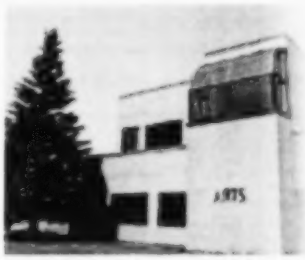
Highlights of our efforts to build strategic infrastructure include:

- Capital Budget Allocations (covers three most recent fiscal years, $ millions):

Education	$114
NB Community College	$6
Green Infrastructure	$10.6
Health	$89.2
Transportation	$609.8

- Transportation - Cost-shared agreements allow twinning of Trans Canada Highway (TCH), Route 1 from Waweig to US Border, and Route 95 from Woodstock to the US Border, by 2007. Routes 11 and 17 upgraded. Moncton and Fredericton airport investments. Harmonization MOU signed on vehicle weights and dimensions (Atlantic Canada). Agreement signed with Brun-Way Group for design, construction and financing of TCH between Grand Falls and Woodstock by Nov 2007. $41 million for TCH, Pokiok to Longs Creek. $12.9 million to improve St. Stephen and Woodstock border crossings. $21.3 million for Routes 11 and 17 upgrading.

- Communications - Broadband in all schools, Community Access Centres in schools, Community Colleges, and 48 public libraries. University Network links NB campuses and NRC facilities. 90 per cent of New Brunswickers will have access to high-speed Internet by the end of 2006. In addition, 95 per cent of business lines, and 100 per cent of regional health care centres, business parks and First Nations communities will gain access.
- Energy - New Electricity Act passed. Atlantic Energy Ministers Working Group formed. Discussion papers released on Climate Change and Energy Efficiency.
- Public Infrastructure - Investments in community health centres, nursing homes, Stan Cassidy Centre for Rehabilitaion (Fredericton). $2.8 million for cultural industries; $1.8 million to eco-tourism project on Miscou Island; $3.4 million at Sugarloaf Park (Campbellton). $29 million new Upper River Valley hospital (Waterville). $14.5 million for: addiction services



facility (Campbellton), surgical suite (Bathurst), Emergency and Ambulatory Care Centre and Laboratory (Moncton Hospital.) Medical /diagnostic equipment: $35.5 million. Villa du Repos in Moncton, Woolastook Long Term Care Facility in Gagetown opening by December 2005.

Proposed Investment Opportunities

Governments must continue to play a critical role in building New Brunswick's strategic infrastructure. In New Brunswick's *Prosperity Plan* we focus on four main categories of strategic infrastructure: transportation, communications, energy and key public infrastructure that improves quality of life and supports the attraction of new investment and people to the province.

With respect to energy, technological advances in the field of consumption and production are helping to reduce the need for energy and making our environment cleaner. However, as long as gross energy consumption continues to rise, the best way to protect consumers from rate shocks and to preserve our natural habitat will always be reducing our dependence on energy. The Province has moved toward that goal by creating an Energy Efficiency and Conservation Agency that will encourage consumers and homeowners to seek alternatives to traditional energy consumption. With an annual budget of $5 million, this Agency will work in concert with federal initiatives aimed at reducing greenhouse gases and meeting the Government of Canada's pledge to abide by the Kyoto Protocol.

New investments would focus on:

Post-Secondary Infrastructure Renewal (Universities and New Brunswick Community Colleges) - Our strong focus on higher education as part of our plan for "Investing in People" means we must invest more in our university and community college infrastructure to modernize facilities so that New Brunswick students have access to the same quality educational opportunities as students in other provinces.

The Province has made significant new investment commitments, both in increased financial transfers to universities (a 4.6 per cent increase this year, adding up to 10 per cent more over the next three years) and in two separate University Infrastructure Trust Fund allocations, including $20 million announced this year. Still, the need to upgrade our aging Post-Secondary Education (PSE) infrastructure is daunting. A recent proposal from the Council of Atlantic Premiers to the Prime Minister noted that accumulated deferred maintenance requirements alone for New Brunswick universities and community colleges totalled over $96 million. On a per full-time enrolled student

basis, this is 70 per cent greater than the national average. Given the historical nature of our universities, we have a higher proportion of aging buildings to maintain than other Canadian universities (approximately 13 per cent of building space was constructed after 1980 in NB vs. 23 per cent for Canada as a whole).

Modern infrastructure is absolutely essential to attract students from outside New Brunswick and to recruit and retain nationally and internationally recognized researchers and faculty. Research faculties and facilities are in turn essential to building critical R&D mass in key clusters. Studies of R&D patterns across Canada show the anomaly of far more R&D being performed in the university setting in Atlantic Canada (51 per cent vs. 27 per cent) compared to the rest of Canada.

Federal investment in this area would be directed towards significant improvements in both university and community college infrastructure, including renewal of current infrastructure and adapting universities to modern innovative and technological demands. Targeted investments would focus on infrastructure associated with R&D and innovation.

Cultural Centres: Official Languages - We need to recognize the distinctiveness of New Brunswick as Canada's only officially bilingual province with two official linguistic communities and its ongoing contribution to national unity, and ensure that both of New Brunswick's official linguistic communities are supported more fully through federal official languages programs.

Despite being the only officially bilingual province in Canada, with constitutional and legal obligations to provide services in a growing number of areas to both official linguistic communities, New Brunswick continues to receive a lower share of federal government resources under its Official Languages Action Plan that what is required. The current funding formula does not recognize our unique educational and health-related service obligations and the reality of having not just two official languages but two official linguistic communities. Our distinctiveness needs to be more properly and realistically recognized. We are an important symbol for national unity and linguistic tolerance and harmony. New Brunswick's allocation under the Official Languages Action Plan should be improved from the current seven per cent to 15 per cent, reflecting our singular contribution and distinctive nature as Canada's only officially bilingual province. Resources would be dedicated to a broad-based inter-departmental action plan (already presented to the federal government) and to the enhancement of school community centres in Fredericton and Saint John.

With improved funding for official languages, efforts would be dedicated to implementing new initiatives related to creating

renewed prosperity for our province. Priority would be given to initiatives dealing with early childhood, youth, local governance, literacy, health, access to justice, as well as language-based industries and fostering a greater understanding and respect between both official linguistic communities. It is our goal to ensure that both communities have the tools they need to mature and grow simultaneously.

National Highway System - Substantial upgrades to Highways 8, 11 and 17 would enhance the economic competitiveness of all regions of NB. These highways are major arterials that connect northern and eastern New Brunswick to the Trans Canada and US Interstate highway system and provide these areas with the necessary trade corridors for economic development and prosperity. The complete twinning of Route 1 is of strategic economic importance to New Brunswick and its Atlantic neighbours, as it is a key link in our region's multi-modal trade corridor to the New England and greater US marketplace.

Route 7, the Welsford Bypass, represents the remaining section of highway to be upgraded on this strategic corridor. Route 7 serves as an important arterial connector from the Provinces major industrial centre, Saint John, to the Trans Canada Highway and points west to Quebec and Ontario. The highway is an important economic corridor for export traffic travelling through the Port of Saint John and provides an essential distribution link for Canada's largest oil refinery. It also serves one of the largest military bases in the Commonwealth. The Province has undertaken significant investments to upgrade Route 7 to modern highway standards. Currently there is one 15 km section that remains to be upgraded. The completion of this important bypass project would provide for a fully access controlled highway between Route 1 and the Trans Canada Highway and would facilitate the safe movement of people and goods along this strategic transportation corridor.

Municipal and Green Infrastructure - There has been a long standing partnership in place between the municipalities of New Brunswick, the provincial government and the federal government to work together on infrastructure projects. With the two most recent agreements, an emphasis on "green infrastructure" projects to improve water, waste water, and sewage capacity has meant more than 80 per cent of that funding has been directed to environmentally necessary upgrades. However, the list of projects still outstanding remains daunting in New Brunswick. This presents an opportunity for the partners to accelerate their approach to investing in green infrastructure in order to better protect the people of New Brunswick and their natural habitat.

In addition, there are certain areas of significant concern for the residents of two of the province's major urban centres. In Saint John, Canada's oldest incorporated city, a longstanding deficiency in sewage and wastewater capacity means that untreated waste is entering the harbour. A major investment is required to overcome this situation. In the Greater Moncton area, an historical decision to construct a causeway across the Petitcodiac River has not only altered the natural riverscape, but has also created an issue of considerable controversy and upset for the residents. Much study of this situation has been undertaken, and the most recent report conducted in partnership between the provincial and the federal governments has generated options which also come at significant cost. Only a special approach to these two situations will allow the partners to meet public expectations.

The Fundy Trail Parkway (Phase II) - The first phase of the Fundy Trail Parkway was successfully completed through a federal-provincial partnership. When completed, the Fundy Trail Parkway will provide an alternate summer coastal route between Saint John and Moncton, drawing visitors, in particular the motor coach market.

A completed Fundy Trail Parkway could also provide relief to the over-visited Fundy National Park. The project would strongly support the rural economy in southeast New Brunswick.

Both governments remain supportive of this initiative. However current federal and provincial funding programs are very modest and can only support an incremental, project-by-project approach, which will push the completion of the initiative out at least 12 years in the future. A substantial and immediate commitment to complete the Fundy Trail Parkway would allow the province to reap the full economic benefits of this unique "Natural Wonder" by 2010.

II. The Implementation Strategies

Progress to Date

To achieve our goal of greater opportunity and prosperity, we have identified in our strategic framework three implementation strategies that are integrated across each of the four building blocks referred to above. These strategies are: Economic Diversification and Clustering, Community Economic Development and Strategic Partnerships.

To strengthen New Brunswick's economy we need to not only grow what we have, but diversify what we are growing. Our diversification efforts will be focused in the key areas of Knowledge Industries, Life Sciences, Advanced Manufacturing and Value-Added Natural Resources. In focusing on these clusters, we seek to build on our core competencies to achieve competitive advantage.

Building on regional competitive strengths through community economic development is central to ensuring that all regions of the province can participate in economic success. We need to take steps to ensure the future prosperity of both our urban and rural regions. New Brunswick has made progress on each of these fronts but we need to do even more.

All our efforts must be coordinated, not just within the New Brunswick government, but also with our prosperity partners: the private sector, workers, communities, universities and other learning and research institutions, as well as the federal and other provincial governments, thus the need for strategic partnerships.

In response to the long standing socio-economic problems and regional difficulties of adjusting to the transition from a resource-based economy to the new global economy, the provincial government has implemented three Regional Economic Development Funds: the $40 million Acadian Peninsula Economic Development Fund (APEDF), the $25 million Restigouche-Chaleur Economic Development Fund (RCEDF) and the $25 million Miramichi Regional Economic Development Fund (MREDF).

The purpose of each Regional Economic Development Fund is to provide funding for economic and social development activities that are consistent with the objectives of approved regional Action Plans to diversify their economies and become less vulnerable to fluctuations in the national and international marketplaces.

These funds are designed to be a complementary source of financial assistance to regular provincial and federal programs. The Funds provide assistance to community-driven initiatives in support of the following themes, which are priority areas for both federal and provincial governments:

- Education and Training
- Research and Development
- Economic Diversification
- Strategic Infrastructure

Building strategic infrastructure needs to occur not just at the provincial level, but at the community level as well. We need to be flexible and responsive to attracting, growing, and maintaining business investment. Local community infrastructure can be an important factor in whether that investment takes place. For this reason the Province established a three-year, $10 million Community Economic Infrastructure Program with an initial $2 million investment in 2005-2006 to assist communities with various infrastructure needs related directly to business investment projects.

The Province also supports and contributes as a funding partner towards the capital cost of new or expanded facilities for recreation, sports, culture, heritage and other community priorities via its Community Partnership Fund. As part of our focus on wellness, at least 80 per cent of this fund is dedicated to wellness-related activities such as sport facilities, playing fields, walking trails, physical activity and so forth. While the Province has allocated $10 million to this three-year initiative, other governments and communities themselves are invited to join with us as funding partners in this important new initiative.

Proposed Investment Opportunities

Total Development Fund - In 2000-2001, the Province established a new multi-year, $30 million Total Development Fund (TDF) to support value-added innovation in the resource sectors: forestry, mining, energy, aquaculture, agriculture, fisheries, and tourism. Through the TDF we assist industries with training, technology adoption, innovation, product development and marketing initiatives. A federal contribution to the Total Development Fund would be well invested given the significant challenges now being faced in resource sectors that have enormous economic impact in New Brunswick.

A Framework for Collaborative Investment

New Brunswickers believe in and support a strong Canada. The responsibility for building a strong Canada is equally a responsibility for provinces and the federal government. In fact, it belongs to all Canadians.

The Government of New Brunswick is encouraged by Prime Minister Martin's statement:

> *"I believe strongly that exercising leadership in our federation means understanding and responding to the unique challenges of each part of the country.... You cannot have a nation as large and as diverse as Canada and not understand that meeting regional needs is in the national interest. The key principle is fairness."*

The challenges we face in New Brunswick and across the country in the 21st century would benefit from intense coordination and collaboration of efforts between the federal and provincial governments. From free trade to skills training, from productivity to innovation and competitiveness, the issues we face as a leading industrialized and knowledge-based economy require a new spirit of cooperation and collaboration.

However, solutions that work in southern Ontario or on the Pacific Coast are not necessarily the best for New Brunswick. We need to strike our own unique approach to successfully meet the challenges we face in this province through a framework for collaborative investment.

That is why we are inviting the federal government to invest with us in our plan for building a prosperous New Brunswick through transformational change.

We are proposing a collaborative investment approach similar to existing successful federal-provincial arrangements such as the Labour Market Development Agreement and the Early Learning and Childhood Development Agreement.

The key elements of this collaborative investment approach are:

- Clear objectives and support for a common plan: *Accelerating Greater Opportunity;*
- Accountability to the people we serve: Canadians, New Brunswickers;
- Shared funding responsibility (80 per cent federal and 20 per cent provincial);
- Managing smarter by leveraging existing provincial initiatives and program delivery infrastructure in order to maximize our collective return on investment;
- Stable and predictable transfer of funds from the federal government to the province on an annual basis over six years, and;
- Open communication of initiatives and results to the federal government by the provincial government.

Summary Table
Investment Priorities

	Total ($M)	Prov. ($M)	Fed. ($M)
Investing in People	**940**	**140.4**	**799.6**
Recruitment, Retention and Repatriation			
• Increased Immigration to New Brunswick	25	5	20
• Transitioning New Post-Secondary Graduates in to the Workplace	35	7	28
Skills Training and Retraining			
• Transitioning Adult Learners to the New Economy through Enhanced Workplace Skills and Literacy Training	40	5	35
• Improving the Competitiveness of New Brunswick Businesses through Workplace Training for SMEs	30	5	25
Reducing Barriers to Work			
• Encouraging Self-Reliance and Economic Opportunity	30	5	25
• Tax Free Low Income Threshold	353	53	300
• Guaranteed Annual Income (Research)	2	0.4	1.6
• Affordable Housing	60	6	54
Quality Learning Agenda			
• Youth, Technology and Learning - Notebook Rollout	140	14	126
• Post-Secondary Infrastructure Renewal (Universities and NB Community Colleges)	200	35	165
• Cultural Centres: Official Languages	25	5	20
Building Strategic Infrastructure	**390**	**130**	**260**
National Highway System (Routes 1, 7, 8, 11 & 17)	300	100	200
Municipal and Green Infrastructure	90	30	60
Creating a Competitive Fiscal and Business Environment	**150**	**30**	**120**
Competitive Taxes			
• Corporate Income Tax Reduction	71	14	57
• Capital Tax Reduction	31	6	25
• Provincial Non-Residential Property Tax Reduction	48	10	38
Embracing Innovation	**395**	**75**	**320**
Technology Adoption and Commercialization			
• SME Financing and Commercialization	85	15	70
Research and Development			
• R&D Critical Mass and Cluster Development	200	20	180
Total Development			
• Total Development Fund	75	30	45
• Fundy Trail Parkway (Phase II)	35	10	25
Grand Total	**1875**	**375** **20%**	**1500** **80%**